

AFFIDAVIT OF SEAN R. REINBEAU

COMMONWEALTH OF VIRGINIA

COUNTY OF LOUDOUN

SEAN R. REINBEAU, being duly sworn, deposes and says:

1. My name is Sean R. Reinbeau. I am over eighteen years old and am competent to testify to the facts set forth in this Affidavit. I am currently a Securities Analyst with RL Consulting Services, Inc. (RLCS).
2. My duties include:
 - a. Review and analyze financial results, economic data, news events, and corporate activities
 - b. Analyze equities and options trading patterns
 - c. Analyze the market activity of individual securities
 - d. Analyze issues such as market manipulation, best execution, suitability, supervision, churning and other unlawful broker-dealer practices.
 - e. Prepare exhibits analyzing profit/loss, excessive trading activity and suitability
 - f. Prepare damage calculations
 - g. Successfully testified as an expert witness at an arbitration.
 - h. Frequently called on to provide guidance and advice to client attorneys.
3. I was asked by RLCS to analyze the trading of GlobalNet, Inc. (GBNE), identify competitors of GBNE, and compare the price changes of GBNE, with the broader over-the-counter market and GBNE's competitors during the period March 1, 2000 to November 1, 2000 (the "trading period"). In addition, I also examined the financial results of GBNE, selected competitors, common financial concepts related to securities analysis and telecommunications related headlines during the trading period.
4. RLCS provided me with GBNE blue sheet data comprised of purchases and sales of GBNE from March 1, 2000 through November 1, 2000. Closing price data was not available, so, for charting purposes, the average of the high and low trade price was used in lieu of the opening price and closing price.
5. I compared GBNE's trading and financial results to 8x8 Inc (EGHT) and Level 3 Communications Inc (LVT), two comparable companies in the telecommunications sector. In 2000, three companies were heavily involved in voice-over-internet-protocol (VOIP) equipment and services. It is my opinion that, given the similar markets served, all three stocks would be expected to trade in a similar fashion. For a profile description of the firms, please see Exhibit A.

6. I created a weekly chart of GBNE and the NASDAQ index ("NDX"), Exhibit B attached. The NDX is comprised of the largest companies which are not listed on an exchange, such as the New York Stock Exchange or the American Stock Exchange.

7. During the trading period the three equities traded in the following ranges:

	High	Low
GBNE	\$26.88	\$2.75
EGHT	\$37.97	\$4.63
LVL	\$132.25	\$42.50

8. The price of all three equities and the NDX declined by the end of the trading period. In addition, all three posted significant declines from their high prices during the trading period.

9. In this regard, the price of GBNE dropped by 72.69%, EGHT dropped by 86.49% and LVL dropped by 66.44%. The average decline of GBNE's two competitors was 76.47%, a percentage that virtually matches GBNE's 72.69% decline.

10. The NDX declined 34.07% from its high during the trading period.

11. It is my opinion that GBNE's price decline was consistent with the price declines of the broader market and GBNE's two competitors.

12. In addition to examining the trading data, I also examined the financial reports of GBNE and its two competitors. Exhibit C, attached, is a table of financial results taken from annual reports filed with the SEC from 1998-2000.

13. Of note, only EGHT produced a profit for one of the years (1998). Excluding the results of EGHT in 1998, all of the companies posted ever-increasing annual net losses from 1998 to 2000. GBNE, and LVL posted significant increases in revenue during the period. In contrast EGHT's revenues declined in all three years.

14. It is also worth noting that a divergence existed in the top and bottom line financial results for GBNE and EGHT. EGHT's revenues peaked in 1998 at \$49 million with a 31 cent per share profit. At the end of 1998, EGHT's stock price closed at \$5.62. The following year, EGHT's revenue and profits declined. EGHT had revenues of \$31.7 million in 1999 (down 35%) and a loss of \$1.28 per share. However, the stock price closed at \$5.12, down only 50 cents. Then, following this substantial change in its financial circumstances, the price of EGHT increased to \$37.97 during the next three months. Even though EGHT posted poor financial results for 1999, there was a 641.6% explosion in the stock price during the first quarter of 2000.

15. During 1999, GBNE's revenues increased 516% and the firm posted a much smaller loss of 16 cents per share versus EGHT's \$1.28 per share. Recall that GBNE, a company with quickly accelerating revenues and much smaller losses, peaked at \$26.88. Meanwhile, EGHT, in stark contrast to GBNE, peaked at \$37.97 on sharply declining revenues and much larger losses.
16. Because GBNE's revenues were dramatically increasing, the firm was a much better fit for the "revenues now, profits later" model that investors were following at the time. This model popularized the term "Get Big Fast" (GBF) as companies "tried to accumulate market share aggressively," based on "the presumption that there was a significant first mover advantage in internet markets."¹ At the time, investors placed a significant value on firms pursuing revenue growth strategies that knowingly disregarded profits in the hope that, once a significant market share was obtained, the company could adjust prices to a profitable level. The companies financed their revenue growth and operating losses via equipment lease financing and stock offerings.
17. A similar comparison can be made between LVLT and GBNE. LVLT posted a revenue increase in 1999 of 31% versus GBNE's 516% and a per share loss of \$1.46 versus GBNE's 16 cents. Even with the losses, LVLT's share price nearly doubled during 1999 as it rose from \$41 per share to \$81.88, with the eventual high of \$132.25.
18. By evaluation standards applicable today, the financial results of these three entities were inconsistent with their stock price increases during the period January 1998 into 2000. For the period, the increases were consistent with the prevailing views—that telecommunications companies, particularly those with internet skills, were the stocks of the future, whose current valuations would be validated by increasing revenues.
19. As this perception of future increases disappeared during 2000, financing sources dried up and market valuations of new technology companies significantly declined. Many firms ceased to exist. GBNE however, survived and was eventually acquired for \$35 million by Titan Corporation. Meanwhile, EGHT currently trades at \$2.85 per share and LVLT at \$1.84. It is estimated that nearly a thousand dot.com and other internet-related companies went out of business in the years after the NDX declined. The following examples were taken from a CNET Networks, Inc. 2008 article titled the "Top 10 dot-com flops."
 - a. Webvan – The firm raised \$375 million in an October 1999 IPO and reached a market capitalization of \$1.2 billion, or over \$30 per share, but closed in July of 2001.
 - b. Pets.com – The firm raised \$82.5 million during their February 2000 IPO and traded as high as \$11 per share; however, they closed for good 268 days later.

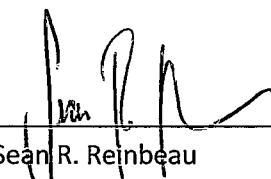
¹ Goldfarb, Brent; Kirsch, David; Miller, David. *Was there too little entry during the Dot Com Era?* University of California, San Diego, Division of Social Sciences. April 10, 2006. May 18, 2011.

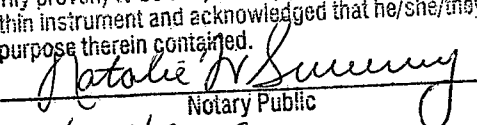
- c. eToys.com – The firm raised \$166 million when they went public but the stock went to a low of 9 cents per share in February 2001 after trading as high as \$84 per share in October 1999.
20. The government's loss estimate attributable to Gushlak's improper activities used a 20% average decline in three market indexes to calculate the amount of the decline in GBNE's stock price that was attributable to "general market forces." This calculation has many flaws. Primarily, it makes the baseless assumption that GBNE was a worthless company whose shares had no intrinsic value.
21. In addition, it ignores the fundamental securities analysis concept of volatility. Simply put, volatility is a measure of the variation in the price of a financial instrument over time. The higher an instrument's volatility, the wider the expected swings in price are over time.
22. In Exhibit D, the historical volatility of the NDX and GBNE are calculated for the time period in question. NDX's volatility ranged from 43.23 to 89.11% and averaged 62.74% during the March to November time period. During the same time period GBNE's volatility ranged from 79.25% to 233.58% with an average of 111.55% or almost twice the average volatility of the NDX.
23. Given the substantially higher volatility of GBNE, it logically follows that the stock would move much farther than the overall market, whether the direction considered is up or down. The similar volatility of GBNE's competitors confirms GBNE's share price movement was consistent with the declines seen in the shares of competitors.
24. The government's failure to apply the fundamental concept of volatility illustrates their lack of understanding when it comes to delineating the alleged effect of undisclosed improper activity from easily anticipated declines in a volatile equity.
25. GBNE's price peaked at \$26.87 per share on 6/27/2000. Exhibit E, which is attached, is a sampling of news articles published just after the peak in GBNE's price through the end of 2000. Also included is a November 2001 article discussing the actions of Salomon Smith Barney's telecommunications analyst, Jack Grubman. Excerpts from the articles include:
- a. 6/30/00 – Lack of profitability "wasn't a problem not too long ago, but investors are increasingly discriminating. . ."
 - b. 7/03/00 – "I admit it, just like everyone else, we were playing because the market allowed us to make easy money," said Paul Meeks, senior portfolio manager for Merrill Lynch. "I think every company will have to show a clear path to profitability in 12 to 18 months maximum, rather than the old Amazon method of, 'Yes, we might be profitable, but we don't know when.'"
 - c. 9/26/00 – AT&T Shares hit a new 52-week low today as investors continue to question the company's future. . ."

- d. 9/27/00 – “As the world’s biggest telecommunications companies spend hundreds of billions of dollars on new technology, they face a dangerous possibility: There might not be a pot of gold at the end of this particular rainbow.”
 - e. 12/21/00 – “For the communications industry, the year 2000 was a bad dream.”
 - f. 11/18/01 – “During the height of the mania, in 1999 and 2000, he had buy recommendations on 30 companies, considerably more than most analysts. Mr. Grubman lured more investors into securities of nascent and risky telecom companies than perhaps any other individual.”
26. As the year 2000 progressed, investors began to alter their perception of telecommunications and other start-up internet companies, paying increased attention to near-term concrete financial performance. The increase and eventual decline in GBNE’s stock price during the trading period was consistent with the trading of the firm’s competitors, the movement in the broader market, the firm’s financial results and even the telecommunications headlines of the day.
27. It is my opinion that the rise and fall in the price of GBNE is entirely consistent with (1) the trading in the broader market, (2) the price declines of GBNE’s competitors and (3) the comparatively high price volatility of GBNE, (4) GBNE’s financial results, and (5) the business headlines of the day.
28. Further, it is my opinion that, in the period at issue, GBNE was a viable, growing company with an intrinsic value. There is no evidence that the market valued GBNE on any factor other than its business performance during the trading period, or that the decline in the stock’s value was due to any reason other than the market forces operating on similarly situated telecommunications companies.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and ability.

Executed on May 19, 2011


Sean R. Reinbeau
Securities Associate
RL Consulting Services, Inc.

State of	Virginia
City/County of	Loudoun
On this	19 th day of May, 2011, before me,
personally appeared	Sean R. Reinbeau
known to me (or satisfactorily proven) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged that he/she/they executed the same for the purpose therein contained.	
 Notary Public	
My commission expires:	2/28/2013

NATALIE W. SWEENEY NOTARY ID # 255790 NOTARY PUBLIC COMMONWEALTH OF VIRGINIA MY COMMISSION EXPIRES FEBRUARY 28,

EXHIBIT A – Company Profiles

GlobalNet, Inc.

GlobalNet, Inc. ("GlobalNet" or the "Company") provides international voice, data and Internet services over a private, managed Internet Protocol (IP) network to international carriers and other communication service providers in the United States and Latin America. GlobalNet's mission is to become the premier provider of high quality, competitively priced, IP-based voice, fax, and data services to Internet Service Providers ("ISP's"), PTT's, and other Telecommunications Services Providers ("TSP") serving the small to medium enterprise market ("SME's") in Latin America.

<http://www.sec.gov/Archives/edgar/data/1095529/000091476000000313/0000914760-00-000313-0001.txt>

8x8 Inc.

8x8, Inc. develops and markets telecommunications services for Internet protocol (IP), telephony, and video applications, as well as provides Web-based conferencing and unified communications services. The company offers the 8x8 VoIP voice and video digital phone service, 8x8 Virtual Office hosted private branch exchange (PBX) service, 8x8 Complete Contact Center service, 8x8 Trunking service, 8x8 Hosted Key System service, 8x8 MobileTalk service, 8x8 Virtual Meeting Web conferencing service, and the 8x8 Virtual Office Pro unified communications solution. The 8x8 Virtual Office suite of business phone services offers high definition audio-enhanced communications services that eliminate the need for traditional telecommunications services and business phone systems. The 8x8 Virtual Office solution replaces an on-premise PBX telephone system with a hosted, Internet-based business phone service that is delivered over a managed or unmanaged Internet connection. The company also sells pre-programmed IP telephones with speakerphones and a display screen in conjunction with its Virtual Office service plans, which enable its business customers to access additional Virtual Office features through on-screen phone menus. Its 8x8 Virtual Office Pro unified communications solution bundles the 8x8 Virtual Office hosted PBX phone service with other businesses software communications services, such as Web conferencing, call recording and archiving, Internet fax, chat, voicemail, presence management, and a mobile iPhone/iPad extension. 8x8, Inc. also offers 8x8 Managed Hosting and Cloud-Based Computing solutions to business customers through its subsidiary, Central Host, Inc. The company markets its services under the 8x8 brand in the United States and internationally.

<http://finance.yahoo.com/q/pr?s=EGHT+Profile>

Level 3 Communications Inc.

Level 3 Communications, Inc. engages in the communications business in North America and Europe. It offers network and Internet services, including transport services, high speed Internet protocol services, dedicated Internet access, virtual private network services, and dark fiber services, as well as managed modem, an outsourced, turn-key infrastructure solution; and colocation services. The company also

provides various media services, comprising Vyvx services that provide audio and video feeds over fiber or satellite; content delivery network services; media delivery services to customers seeking to manage, protect, and monetize content delivered over the Internet; a range of local and long distance voice services, such as voice over Internet protocol (VoIP) and traditional circuit-switch based services; and VoIP Enhanced Local, a VoIP service that enables broadband cable operators, IXCs, VoIP providers, and other companies operating their own switching infrastructure to launch IP-based local and long-distance voice services through a broadband connection. Level 3 Communications² media services also consist of SIP Trunking, a VoIP-based local phone service; Local Inbound service that terminates traditional telephone network originated calls to Internet Protocol termination points; Primary Rate Interface, a TDM local phone service that could be configured in various ways; Long Distance services portfolio comprising local and long distance transport and termination services; and Toll Free services portfolio, which terminate toll free calls that are originated on the traditional telephone network.

<http://finance.yahoo.com/q/pr?s=LVLT+Profile>

EXHIBIT B – Comparison Chart

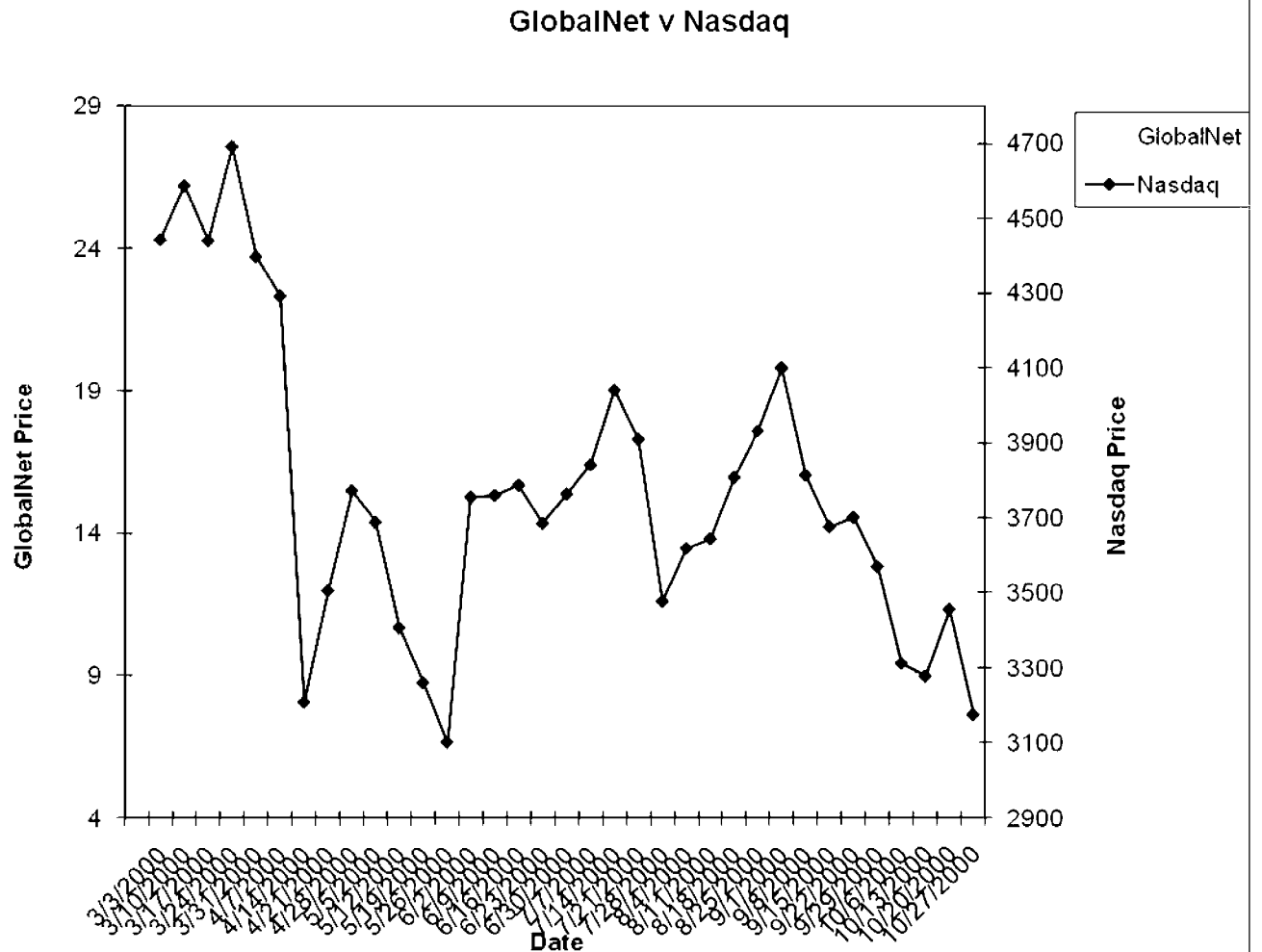


EXHIBIT C – FINANCIAL RESULTS COMPARISON

GlobalNet (in thousands)			
	1998	1999	2000
Sales	4,046	24,927	78,091
Cost of Sales	3,370	25,428	77,482
Gross Profit	676	(501)	609
SG&A	788	1,152	5,370
Operating Gain/Loss	(112)	(1,653)	(4,761)
Interest Expense	8	752	(1,299)
Net Loss	(294)	(3,279)	(11,947)
Gain/Loss per Share	(0.01)	(0.16)	(0.47)

8x8 Inc (in thousands)			
	1998	1999	2000
Sales	49,800	31,700	25,400
Cost of Sales	18,900	24,300	8,600
Gross Profit	30,900	7,400	16,800
SG&A	29,700	27,600	43,900
Operating Gain/Loss	1,200	(20,200)	(27,100)
Interest Expense	0	0	400
Net Loss	3,700	(19,200)	(24,800)
Gain/Loss per Share	0.31	(1.28)	(1.38)

Level 3 (in millions)			
	1998	1999	2000
Sales	392	515	1,185
Cost of Sales	199	360	794
Gross Profit	193	155	391
SG&A	332	668	1,152
Operating Gain/Loss	(139)	(513)	(761)
Interest Expense	132	174	282
Net Loss	(128)	(487)	(1,455)
Gain/Loss per Share	(0.43)	(1.46)	(4.01)

EXHIBIT D – HISTORICAL VOLATILITY COMPARISON

	GBNE	EGHT	LVLT	NDX
Calendar Year	365	365	365	365
Volatility Days	50	50	50	50
Start Date	3/1/2000	3/1/2000	3/1/2000	3/1/2000
Close	\$5.11	\$3.94	\$42.56	3,225
Average	111.55%	149.98%	90.89%	62.74%
Maximum	233.58%	189.50%	114.19%	89.11%
Minimum	79.25%	105.27%	71.30%	43.23%

EXHIBIT E – SAMPLE TELECOMMUNICATIONS NEWS ARTICLES

http://news.cnet.com/Genuity-IPO-misses-big-expectations/2100-1033_3-242672.html?tag=mncol
http://news.cnet.com/IPO-market-heads-south-for-the-spring/2100-1017_3-242729.html?tag=mncol;8n
http://news.cnet.com/Investors-hang-up-as-ATT-stumbles/2100-1033_3-246265.html?tag=mncol
http://news.cnet.com/Telecom-players-spend-big%2C-but-win-little/2100-1033_3-246298.html?tag=mncol
<http://news.cnet.com/2100-1033-250174.html>
http://pages.stern.nyu.edu/~adamodar/New_Home_Page/articles/GrubmanFalls.htm

SEAN R. REINBEAU

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Winchester, VA 22602
Telephone (703) 728-2014

PROFESSIONAL EXPERIENCE

RL CONSULTING SERVICES, INC.

Securities Analyst, Leesburg, VA November 2003 to Present.

Responsible for the research, analysis and production of all case related documentation, exhibits and other materials, which were needed for more than 90 securities related disputes.

- Review and analyze financial results, economic data, news events, and corporate activities
- Analyze equities and options trading patterns
- Analyze the market activity of individual securities
- Analyze issues such as market manipulation, best execution, suitability, supervision, churning and other unlawful broker-dealer practices.
- Prepare exhibits analyzing profit/loss, excessive trading activity and suitability
- Prepare damage calculations
- Successfully testified as an expert witness in an arbitration.
- Frequently called on to provide guidance and advice to client attorneys.

SELF EMPLOYED

EminiLevels.com,

President, Ashburn, VA February 2003 to May 2004

Founded internet based business providing traders with anticipated short-term support and resistance levels on the S&P 500 emini futures.

- Provided the current day's levels and listed economic reports or other events that could affect the day's trading.
- Produced both technical and fundamental analysis in an effort to enhance my clientele's ability to profitably trade.
- Periodically conducted training sessions and published documents detailing trading methodologies using the levels.
- Principal role in the firm was to moderate virtual "trading room." Using technology our subscribers could see what I was looking at while I verbally walked them through the techniques and methodologies being used to trade in real time.
- Produced training videos that subscribers could download and watch during non-market hours.
- Created financial projections/budget and wrote most of the narrative on the firm's website along with any narrative needed for marketing efforts.

Investor/Trader, Ashburn, VA 1/00-11/03. Traded Equity and Index Options, Equities and Futures on my own behalf.

- Demonstrated successfully an ability to design and execute profitable trading methods.
- Thoroughly familiar with the use of indicators and technical patterns employed to predict market movement.

SEAN REINBEAU

- Designed and put myself through intensive training program learning the technical and fundamental analysis skills needed to become a profitable trader.
- Initiated and continue to host a support group of more than 2,800 other investors. The site is the third largest group out of almost eight hundred in Yahoo's "Futures and Options" category.

OSP CONSULTANTS

Billing and Collections Manager, Sterling, VA 5/99-1/00. Lead staff of six with responsibility for billing and oversight of cash collection and application.

- Managed four individuals responsible for billing approximately \$40 million in time and materials type contracts.
- Lead staff of two responsible for all cash applications and the oversight of collections on OSP's \$30 million aging.
- Management complimented me on my ability to get to the heart of the challenges OSP faced in enhancing the firm's cash flow and proposing innovative strategies to overcome these challenges.

ANIXTER INC.

Federal Credit Manager, Reston, VA 2/97-5/99.

Started and led federal credit team responsible for all federal receivables.

- Managed staff of five responsible for billing on over 900 accounts and collection of \$15 million in accounts receivable.
- Handled all order approval, billing design and financial negotiations for federal contractor customer base.
- Position substantially improved my leadership, credit analysis and organizational skills.
- Under my leadership ANIXTER's federal aging significantly improved with receivables over 90 days old plummeting from highs of 30 percent to lows of 3.56 percent.

Federal Accounts Manager, Skokie, IL 9/94-2/97.

Responsible for helping ANIXTER's field credit organization better handle federal receivables, negotiated credit terms with largest contractor customers and utilized to enhance sales force ability to use leasing as a sales tool.

- Tasked with helping Corporate Credit department in financial relationship management of largest and riskiest contractor customers with goal of increasing sales while mitigating credit risk.
- Assigned primary liaison role between credit department and federal sales organization. Completely self-taught federal contracting expertise and knowledge base needed to be effective in this role.
- Conducted leasing related training sessions throughout US and Canadian sales offices.
- Assisted field sales personnel in quoting and closing leasing transactions.
- Position further enhanced negotiation, relationship and organizational skills due to the volume and varied nature of accounts and tasks covered.

SEAN REINBEAU

CAPITOL BANK & TRUST

Commercial Loan Representative, Chicago, IL 4/93-9/94.

Responsible for maintaining and growing portfolio of small business customers. Duties included preparing renewals and new loan requests for current customers, resolving past due account situations, gathering needed documentation in order to maintain credit files and handling new loan requests from prospective customers.

- Experience significantly improved sales, negotiation and people skills.
- Responsible for a \$7 million portfolio and a new loan goal of \$1.5 million. In eight months I funded \$1.7 million with an additional \$1.4 million in approved unfunded notes along with exceeding goals related to new deposits and fee revenue.

Commercial Credit

Analyst, Chicago, IL 4/92-4/93.

Responsible for spreading and analyzing financial statements, cash flow analysis, creating pro forma financials and other analysis in order to prepare credit presentations for various loan committees.

- Duties included preparing credit write-ups that helped determine the quality of current and potential credits, loan and deposit summaries, file and documentation maintenance, and other duties as assigned.
- Supervisor commented that my ability to readily accept increasing levels of responsibility while taking pride in the quality of my work exceeded her expectations.

MERCHANTS NATIONAL CORPORATION

Loan Review Analyst, Indianapolis, IN 5/91-4/92.

Reviewed commercial and real estate loans for credit quality, collateral adequacy and completion of needed loan documentation. Duties included producing reviews with personal computer, branch and affiliated portfolio reviews, credit watch list reports, cash flow analysis and projections along with other reports as needed.

- Complimented on writing ability and understanding of the important issues related to individual bank relationships.

FORMAL EDUCATION

INDIANA UNIVERSITY, Bloomington, IN,
B.S., Finance, 5/91,

GPA 3.66,
15 hours of Accounting
Economics Minor
Graduated with distinction
Member of Finance Club